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DIRECTORATE OF  
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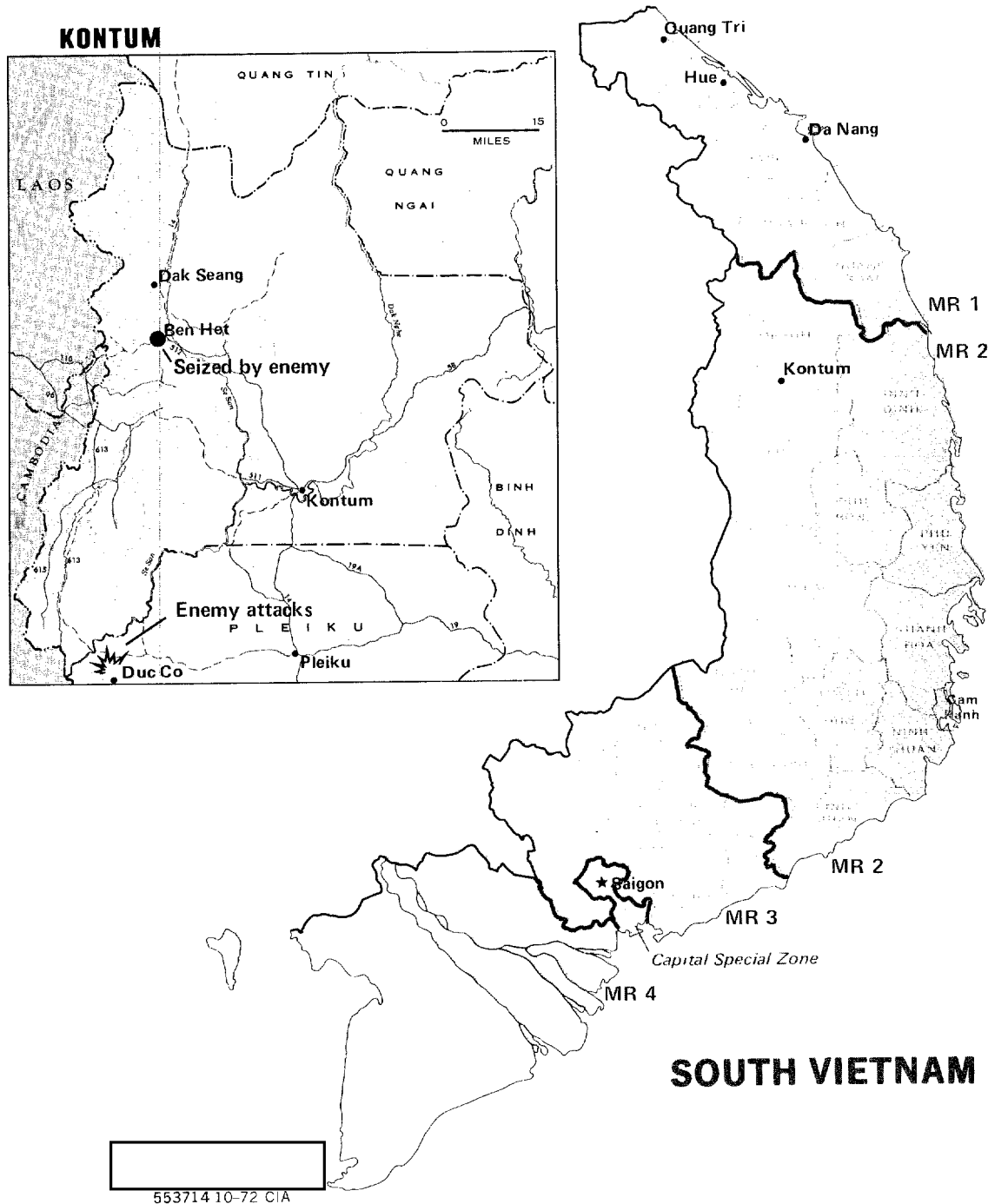
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**SOUTH VIETNAM:** The Communists have seized the Ben Het border ranger camp and are threatening other isolated government strongpoints in the western highlands. Two days of shelling, totaling more than 1,750 rounds, destroyed the base which had stubbornly resisted several other Communist campaigns to capture it. No information is available as to the fate of the several hundred men--many with their families--in the camp, but the battalion commander is reported to have been captured. Elements of the North Vietnamese 40th Artillery Regiment combined with the 66th Infantry Regiment for the attack.

Two other border outposts are in immediate danger. The Dak Seang ranger camp, nine miles north of Ben Het, has been the target of enemy mortar bombardments during the past several days and a ground attack could come at any time. In Pleiku Province, enemy pressure against the Duc Co border camp has sharply increased with new attacks on outlying field positions. Contrary to some press reports, the camp has not been overrun, but at least one nearby outpost has been lost to the Communists.

The principal military actions elsewhere in the country resulted largely from South Vietnamese clearing operations. Nevertheless, a Communist threat persists on the major battlefronts, and there are many signs of enemy preparations for further offensive action, including shelling of some key targets such as Da Nang and possibly Saigon. [REDACTED]

[REDACTED]

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NOTES

**CHILE:** Supplies of food, fuel, and other necessities were rapidly depleted in urban areas on 13 October, despite the government's tough response to the extensive commercial and transportation strike. President Allende reversed an order to force small shops to open, probably to avert stirring up violence, but told the nation that in the face of a "fascist effort to paralyze it" nothing would keep him from maintaining public order and implementing his program. His hand is strengthened by strict enforcement of state of emergency restrictions, including government control of all radio programming and quick measures of retribution and intimidation that have been taken against truck owners and some other strike leaders. [REDACTED]

\* \* \* \*

**EUROPEAN COMMUNITIES:** The EC Commission has prepared a detailed rebuttal to the US defense of the Domestic International Sales Corporation (DISC), a US tax device intended to stimulate exports. The French are pushing hardest to have the measure declared an illegal export subsidy under GATT. The other EC member states also oppose the DISC device, but are still unwilling to request formal consideration in GATT and thus add another open dispute with the US on commercial policy. Meanwhile the French reportedly plan to adjust their own export-subsidy practices to make them less vulnerable to US criticism. The British, who have registered their own objections to DISC, have apparently been waiting to see what action the EC would take before deciding on a further approach. [REDACTED]

(continued)

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UK: Chancellor of the Exchequer Barber, carefully keeping his options open, has expressed hope that circumstances will permit a re-pegging of sterling prior to Britain's entry into the EC on 1 January. Britain is under pressure, especially from France, to return to a fixed parity before entering the enlarged EC. The pound's new exchange rate is likely to be well below its Smithsonian rate of \$2.61; the price of sterling yesterday on foreign exchange markets was \$2.42. A formal devaluation will eventually be necessary in view of the lower market price as well as accelerating inflation, uncertainties concerning wage-price controls, and sluggish industrial production. [REDACTED]

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\* \* \* \*

INDIA: Wholesale price increases are continuing and may accelerate. Most of the recent increase is due to higher food prices, reflecting reduced output of foodgrains. Additional pressure on prices has been generated by a substantial retroactive wage increase to lower level government workers and some industrial employees, the continuing shortages of industrial raw materials and electric power, and anticipated declines in the production of most agricultural commodities. New Delhi has not yet evolved a policy that is likely to dampen inflation. [REDACTED]

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